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Chief, Industrial Contract Audit Branch

28 January 1955

Chief, Finance Division

Use of Overhead Rates Established by Department of Defense

1. As you know, it is the policy of the Office of the Comptroller to utilize overhead rates established by the Department of Defense or any of its establishments to the maximum possible extent in connection with determination of costs to be recommended for acceptance in connection with the negotiation and settlement of cost type contracts. Full implementation of this policy will

a. Eliminate duplication of effort between this Agency and Department of Defense establishments utilizing the same contractors

b. Avoid the criticism which contractors have directed at various Government establishments because of inconsistency in determinations and policy in areas of similar interest

c. Reduce materially the scope of audits required to arrive at cost determinations.

2. The Logistics Office has indicated that it can secure and furnish this office with official advice from the Department of Defense as to the overhead rates approved for acceptance by its establishments. These rates will be reviewed by this office and whenever their use can be justified, such rates will be utilized in arriving at cost determinations and the audit program will not include verification of overhead factors and rates.

3. Whenever a Department of Defense overhead rate is determined to be acceptable by this office in advance of contract execution, the Logistics Office will be advised that such rate is appropriate for incorporation in the contract and such rate, including revisions approved by the Department of Defense for the contractor holding the contract, will be accepted as the basis for cost determinations.

4. Please assure that all personnel in your Branch understand and make every effort to implement the above policy. Deviations, i.e., rejection of rates established by the Department of Defense, are not authorized except with prior approval of this office.

APPROVED:

[Redacted Signature]

W. R. [Redacted], Comptroller

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